UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF CALIFORNIA

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CONCRETE WASHOUT SYSTEMS INC., a California corporation,

Plaintiff,

v.

MINEGAR ENVIRONMENTAL SYSTEMS INC., a California corporation, PETER J. MINEGAR, and DOES 1-10,

Defendants.

NO. CIV. S-04-1005 WBS DAD

MEMORANDUM AND ORDER RE: MOTION FOR ATTORNEYS' FEES

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Defendants Minegar Environmental Systems Inc. and Peter J. Minegar move for an award of attorneys' fees against plaintiff Concrete Washout Systems Inc. pursuant to section 35 of the Lanham Act, 15 U.S.C. § 1117.

I. Factual and Procedural Background

Plaintiff sued defendants under the Declaratory Judgment Act, 28 U.S.C. § 2201, the Lanham Act, 15 U.S.C. §

1125(a), and California law[1] alleging that defendants, after approaching plaintiff as interested business partners, misappropriated confidential product information and used this information to develop their own concrete washout disposal bin.[2] Plaintiff sought monetary, declarative, and injunctive relief against defendants. (Pl.'s First Am. Compl. ¶ 73). Because the Patent and Trademark Office was still in the process of reviewing plaintiff's patent application for the device, the court declined to exercise its discretionary review of plaintiff's claims under the Declaratory Judgment Act and granted the defendants' motion for summary judgment on those counts. (July 12, 2005 Order at 1-2).

Additionally, the court granted summary judgment in favor of the defendants on the Lanham Act claims because the evidence submitted failed to demonstrate that the disputed term "concrete washout" constituted a trademark or trade name, rather than a generic term. (Id. at 12). Having disposed of plaintiff's federal claims, the court declined to exercise supplemental jurisdiction over the remaining state law claims pursuant to 28 U.S.C. § 1367(c)(3). (Id. at 15-16).

Defendants now request attorneys' fees totaling

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[1] Claims included declaratory relief under state law, trade name infringement under California Business and Professions Code § 14415, misappropriation of trade secrets under California Civil Code § 3426.1(d), common law misappropriation, fraud, constructive fraud, breach of confidence, unjust enrichment, unfair competition under California Business and Professions Code § 17200, and false advertising under California Business and Professions Code § 17500.

[2] For a more detailed description of the product at issue and Lanham Act violations claimed in this case, see the court's order of July 12, 2005.

$80,000, which defendants allege represents the portion of fees incurred specifically in defense of the Lanham Act claim. (Defs.' Mot. for Attorneys' Fees at 5).

II. Discussion

A. Applicable Standard

Although an award of attorneys' fees under the Lanham Act is within the district court's discretion, section 35(a) limits this power to "exceptional cases." 15 U.S.C. § 1117(a) ("The court in exceptional cases may award reasonable attorney fees to the prevailing party" (emphasis added)). The act itself fails to define "exceptional cases." However, the Ninth Circuit has interpreted the statute to "include cases that are 'either groundless, unreasonable, vexatious, or pursued in bad faith.'" Horphag Research Ltd. v. Pellegrini, 337 F.3d 1036, 1040 (9th Cir. 2003). "The terms 'groundless' and 'unreasonable' suggest that it is not enough that the plaintiff [simply] does not prevail[,]" while "vexatious" and "bad faith" suggest that plaintiffs' motives for suit are relevant. Nat'l Ass'n of Prof'l Baseball Leagues, Inc. v. Very Minor Leagues, Inc., 223 F.3d 1143, 1147 (10th Cir. 2000). "The prevailing party has the burden to demonstrate the exceptional nature of a case by clear and convincing evidence." Seven-Up Co. v. Coca-Cola Co., 86 F.3d 1379, 1390 (5th Cir. 1996); see also Affymetrix, Inc. v. Multilyte Ltd., No. C 03-03779, 2005 WL 1869405, at *2 (N.D. Cal. Aug. 5, 2005) (evaluating the identical "exceptional cases" requirement for attorneys' fees in a patent infringement case and requiring that "[t]he party seeking the award of fees . . . establish that the case is exceptional by clear and convincing

evidence").

B. Groundless or Unreasonable

Defendants make the bald assertion that "[t]rademark claims are not usually amenable to summary judgment" and argue that their successful defense of plaintiff's Lanham Act claim makes this an exceptional case. However, this argument is flawed in two ways. First, as previously noted, the statute does not award fees to all parties who merely prevail. The individual case must be exceptional. By imposing this restriction, rather than simply awarding attorneys' fees to the prevailing party, Congress sought to prevent "unfounded suits brought by trademark owners for harassment and the like" and at the same time not discourage potential litigants. S. Rep. No. 93-1400 (1974), reprinted in 1974 U.S.C.C.A.N. 7132, 7135. Creating an entire category of exceptional cases (those won on summary judgment) would seem to contradict the intention of the legislature.

Second, despite defendants' assertion that success on a summary judgment motion in a Lanham Act case is a rare event, the handful of cases cited in support of their motion for attorneys' fees includes reference to Stephen W. Boney, Inc. v. Boney Services, Inc., 127 F.3d 821, 828 (9th Cir. 1997), where the defendants likewise succeeded on a summary judgment motion in a case alleging trade name infringement. Despite the defendants' victory in Boney, the court noted that they "[n]evertheless . . . failed to demonstrate that [the] case [was] exceptional in any respect . . . ." Id. at 827. Similarly, this court does not recognize success on a summary judgment motion in this trade name case as an exceptional event.

Defendants also argue that plaintiff's reliance on its own employee's assessment of consumer perception to establish the term "concrete washout" as a distinctive mark belonging to the plaintiff provides further evidence that the claim was groundless. (Defs.' Mot. for Attorneys' Fees at 4). As defendants point out, such testimony has "'little probative value' because 'trademark law is skeptical of the ability of an associate of a trademark holder to transcend personal biases to give an impartial account of the value of the holder's mark.'" (Id. (quoting Filipino Yellow Pages, Inc. v. Asian Journal Publ'ns, Inc., 198 F.3d 1143, 1152 (9th Cir. 1999)). Defendants complain that "[p]laintiff offered no consumer surveys, no evidence of its marketing efforts related to the term, . . . or any other evidence traditionally used to show distinctiveness or infringement." (Id.).

However, plaintiff's failure to offer more probative or convincing evidence in the form of surveys does not prove that the case was unreasonable. In awarding summary judgment, the court only noted that the "evidence submitted" failed to establish grounds for going forward with the case. The fact that plaintiff produced insufficient evidence of consumer perception is inconclusive. Cf. Goodell v. Ralphs Grocery Co., 207 F. Supp. 2d 1124, 1125-26 (E.D. Cal. 2002) (reasoning that a plaintiff's action is not necessarily "frivolous, unreasonable, or without foundation" when the court has "no way . . . to know whether no such evidence existed or whether plaintiff's attorneys simply neglected to gather such evidence"). The court recognizes that plaintiff may have conducted a half-hearted investigation into

its Lanham Act claim, (see Defs.' Reply Mem. in Supp. Of Defs.' Mot. for Attorneys' Fees at 6 (identifying the "handful" of questions plaintiff asked "only one deponent" regarding the Lanham Act claim as evidence that plaintiff never took this claim seriously)). But plaintiff's failure to gather convincing evidence of confusion does not disprove the allegations of plaintiff's employee Kevin Mickelson--that "a lot of people . . . are shortening [plaintiff's trade name] up and referring to [plaintiff] as Concrete Washout." (Decl. of Erick C. Howard in Supp. of Defs.' Mot. for Summ. J., Ex. B (excerpts from the deposition transcript of Kevin Mickelson)). While unsuccessful, plaintiff's Lanham Act Claim was not unreasonable.

C. Vexatious/In Bad Faith

Defendants also argue that plaintiff's case was brought in bad faith, but they point to nothing in the record, other than the lack of sufficient evidence, to support this assertion. To demonstrate that a case was vexatious or brought in bad faith, defendants cannot simply rely on plaintiff's failure to produce evidence capable of defeating a motion for summary judgment. Defendants do not offer proof that plaintiff brought suit for the sole purpose of, for example, harassing defendants or gaining a competitive advantage in the concrete washout business. See Tire Kingdom, Inc. v. Morgan Tire & Auto, Inc., 253 F.3d 1332, 1336 (11th Cir. 2001) ("Plaintiff's failure to present sufficient evidence . . . coupled with evidence of bad faith and improper motive, support the district court's conclusion that this case was an exceptional case . . . ." (emphasis added); see also Boney, 127 F.3d at 827 (holding that a failed trade name

infringement claim is not necessarily illegitimate).

In Tire Kingdom, the plaintiff withheld survey information that tended to disprove its Lanham Act claims and furthermore admitted to a scheme to use the lawsuit to raise prices. 253 F.3d at 1336. Here, plaintiff may have advanced a losing argument, but no evidence suggests that its motives were unrelated to a desire to protect its trade name. See Gracie v. Gracie, 217 F.3d 1060, 1071 (9th Cir. 2000) ("[C]onclusory statements regarding [the losing party's] supposed bad faith are insufficient . . . to call into question [the losing party's] motives in filing . . . ."). While defendants hypothesize that plaintiff submitted its Lanham Act claim for the purpose of securing a more convenient forum, (see Defs.' Reply Mem. in Supp. of Defs.' Mot. for Attorneys' Fees at 7), these arguments are largely speculative and at best founded on inferences drawn from how plaintiff has gone about developing its case. Defendants have not provided clear and convincing evidence of plaintiff's allegedly improper motives. See Affymetrix, 2005 WL 1869405 at *3-4 (refusing to find that plaintiff brought suit in bad faith despite court's questions regarding the merits of plaintiff's "flimsy" positions).

III. Conclusion

Defendants have not demonstrated that plaintiff's conduct was sufficiently egregious to make this an exceptional case. Plaintiff's evidence may have failed to withstand a summary judgment motion, but that alone cannot justify an award of attorneys' fees under the Lanham Act's "exceptional case" requirement. Defendants do not offer "clear and convincing"

evidence of improper motive on the part of plaintiff. Consequently, they have failed to meet their evidentiary burden.

IT IS THEREFORE ORDERED that defendant's motion for attorneys' fees be, and the same hereby is, DENIED.

DATED: September 21, 2005

WILLIAM B. SHUBB
UNITED STATES DISTRICT JUDGE